

HaRe Group newsletter: 14 February 2008

Subject: Remuneration satisfaction

Around the start of every year, many managers are confronted with a meaty challenge – telling people why they didn't get the pay rise (or bonus) they wanted. An associated problem is the inescapable gossip about other employees' pay levels – especially amongst younger staff when graduate salaries are rising so fast.

In *The Age* last week, Leon Gettler wrote about a hot-button issue in many companies: how much do you get paid compared to others? – and what happens if real salary data is leaked (which will show the inevitable discrepancies between employees)?

The related complication appeared in the *AFR* last Friday: some graduate salaries are increasing by more than 20% per annum (eg. Mechanical Engineers are up by 28%). You will appreciate this added pressure on salary administration for the more experienced peers of these graduates.

While salary is often declared an irrelevant motivator (usually by well paid managers or consultants), many employees will be discouraged if they discover that they are rewarded less than their equals. It is likely that some will disengage from their work and be more open to employment opportunities elsewhere.

In addition to activating “true” people motivators, every employer should implement impartial and transparent systems to fairly manage remuneration. Pay discrepancies may still occur, but if employees know that there is a sound performance management process that underpins a robust pay structure & review system, then most people will be satisfied with their remuneration.

In my experience, where employees feel that their performance is being properly measured, this influence on remuneration is acceptable – but which measures are right? Unfortunately there are no simple answers, but the best measures will be impartial indicators of true success – both financial and non-financial. A combination of Key Performance Indicators, agreed with employees and applied in a balanced scorecard, has been successful for many organisations.

Keeping employee pay records correct and confidential are also critical. Despite the obvious risks, many employers still persist in using fragile worksheets that are cumbersome and prone to error and leakage. These organisations often carve up their employee pay data and send unprotected worksheets to managers for isolated input. Duplicates returned for merging can be a recipe for data corruption and chaos.

Our [Remuneration Planning System](#) provides a secure and streamlined solution to employee pay reviews. The RPS will quantify the risk of pay anomalies – in particular, low paid/ high performing employees – and allow simultaneous multi-user decision making on individual pay settings using true pay & performance relativities. Each user is given a secure ID and password allowing variable access and edit capabilities, filtered by function and/or location and/or department. The RPS Administrator can trace the activity of all users and monitor actual pay variations to agreed budgets – all changes to the live databases can be seen instantly.

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